

# **Chapter 11 – Property Administration**

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## **References**

- (a) Federal Acquisition Regulations (FAR)
- (b) Defense Federal Acquisition Regulation Supplement (DFARS)
- (c) Navy and Marine Corps Acquisition Regulation Supplement (NMCARS)
- (d) NAVSEA Contracts Handbook (NCH)
- (e) DoD Manual 4161.2-M, DoD Manual for the Performance of Government Property Administration
- (f) 10 USC 1724, Defense Acquisition Workforce Improvement Act (DAWIA)
- (g) NAVSEAINST 4408.2A, Shipbuilding and Conversion, Navy (SCN) Consolidated Residual Asset Management Program (SCRAMP)
- (h) OPNAVINST 5090.1C, Environmental Readiness Program Manual

# Chapter 11 – Property Administration

## 11.1 Scope

Government property administration is accomplished in accordance with specific contract requirements and the following directives:

- Federal Acquisition Regulations (FAR), reference (a), [Part 45](#)
- Defense Federal Acquisition Regulation Supplement (DFARS), reference (b), [Part 245](#)
- Navy and Marine Corps Acquisition Regulation Supplement (NMCARS), reference (c), [Part 5245](#)
- NAVSEA Contracts Handbook (NCH), reference (d), Part 45
- [DoD Manual 4161.2-M](#), DoD Manual for the Performance of Contract Property Administration, reference (e)

The information in this chapter provides additional guidance to be used in application of the various requirements for Government property administration. Note that the terms of the contract will normally take precedence over other directives.

FAR [Part 45.5](#) identifies the requirements the contractors must satisfy for the management and administration of government property and the functional relationship of the GPA. These requirements now have been incorporated into a new clause, [FAR 52.245-1](#).

### 11.1.1 Definitions

Per FAR [Parts 45.101](#) and [52.245-1](#), property includes all property, both real and personal. Government property means all property owned by or leased to the Government or acquired by the Government under the terms of the contract. It includes both government-furnished property (GFP) and contractor-acquired property (CAP). Definitions of types of government property are found in [FAR Part 45](#) and [DFARS Part 245](#). The following paragraphs provide key additional information.

GFP/GFM means property in the possession of or directly acquired by the Government and made available to a contractor. The Government maintains title to all the GFP/GFM in fixed-priced and cost-reimbursable contracts.

CAP includes Contractor-Acquired Material (CAM) and Contractor-Furnished Material (CFM), and refers to property acquired, fabricated, or otherwise provided by the contractor for performance of a contract to which the Government has title. In a fixed-price contract, the Government takes title if the CAP is listed as a line item in the contract and upon vendor's

delivery, issuance, reimbursement, or commencement of processing, whichever comes first. If the CAP is not a line item in the contract, the contractor has title until delivery, acceptance, and payment by the Government. In a cost-reimbursement contract, the Government takes title to all CAP that is reasonable, allocable, allowable, and direct charged to the contract.

Items identified as Government-Furnished Equipment (GFE) and Contractor-Furnished Equipment (CFE) are considered as GFM.

## **11.2 Providing Government Property to Contractors**

### **11.2.1 Property**

Under [FAR 45.102](#), contractors are ordinarily required to furnish all property necessary to perform Government contracts. If contractors are provided Government property, the Navy is required to ensure that the requirements of [FAR Part 45](#) are met.

### **11.2.2 Material**

Contractors ordinarily furnish all material for performing Government contracts. The Navy provides material to a contractor when necessary to achieve significant economy, standardization, expedited production, or when otherwise in the Government's best interest in accordance with the clauses included in the contract, [FAR Part 45](#) and [DFARS 245](#). These directives also provide guidance for economic utilization of available government-furnished material as GFM (in lieu of CFM).

In new construction contracts, GFM is usually identified by the Program Manager in Schedule A of the contract and GFI (Government-Furnished Information) is identified in Schedule C. Schedule E is the Installation and Check-out spares that are used during testing and sea trials. Outfitting material provided as GFM is usually identified by the Naval Inventory Control Point (NAVICP) in the Consolidated Shipboard Allowance List (COSAL), which is considered to be part of the contract. In repair and overhaul contracts, GFM is usually identified by the planning activity in the schedule of the contract or the contract specifications.

During the performance of the contract, if the contractor has difficulty in obtaining contractor-furnished material for contract use, the Government has three primary options:

1. Issue a supplemental agreement authorizing substitute material (with no degradation or increase in contract price and appropriate reduction in price if substitution results in lower overall cost to contractor).
2. Authorize the contractor to obtain the required CFM through the "cash sales" procedure in accordance with the procedures of FAR, NMCARS, and NAVSUP guidance.

3. Issue a supplemental agreement converting the CFM to GFM with a decrease in contract price and release of any government responsibility for delay or disruption if subsequent material is not received in a timely manner. This method should only be used as a last resort.

The SUPSHIP Property Administrator should ensure that contractor's approved Property Control Procedures address special considerations when any of the three options is used.

### **11.2.3 “Cash Sales” Procedures**

NAVSUP manuals contain procedures to permit contractor purchase from Navy sources, as well as providing direction to the ACO for developing local instructions on use of the cash sales method. Each purchase is approved and monitored by NAVSUP (FISC). The SUPSHIP Property Administrator must ensure that the contractor has specific procedures to address requests for cash sales purchases, as well as procedures for receiving and tracking of cash sales material to ensure that all Navy policies and requirements for control, use, and return (if required) of cash sales material are met. The SUPSHIP Property Administrator will include a review of the contractor procedures during the annual/biennial contractor property control surveys.

## **11.3 Contractor Use and Rental of Government Property**

[FAR 45.3](#) prescribes policies and procedures for use and rental of Government production and research property. The decision to rent or not to rent Government production and research property is made by the PCO of the contract and included in the RFP. Generally, Government use is on a rent-free basis. Non-Government use is on a rental basis. The Government Property Administrator must be aware of any rental clauses, since utilization rates for the property must consider Government and non-Government utilization.

## **11.4 Administration of Government Property**

### **11.4.1 Contractual Clauses**

The principle contractual clause for government property administration is found at [FAR Part 52.245-1](#). Each contract should be reviewed to verify the contractual requirements invoked.

#### **11.4.1.1 Oversight of Contractor Operations**

[FAR 52.245.1](#) contains extensive and detailed administrative requirements regarding Government property. The most detailed guidance is provided by the DoD Manual for the Performance of Contract Property Administration, [DoD Manual 4161.2-M](#). The SUPSHIP Property Administrator must ensure that all types of government property are considered in property administration oversight.

#### **11.4.1.2 Transfer of Government Property Between Contracts**

The SUPSHIP Property Administrator must ensure that transfer of Government property between contracts is accomplished in accordance with [NMCARS 5245](#). Excess Government Furnished Property from a contract should only be transferred for use on another contract where a need is identified.

#### **11.4.1.3 Annual Property Administration Plan and Report**

At the beginning of the fiscal year, each SUPSHIP shall schedule analyses of all active contractors' systems for property administration during the upcoming fiscal year.

#### **11.4.1.4 Reports**

In accordance with [DFARS 245.7205](#), SUPSHIPS should prepare a DD Form 1638 for internal tracking purposes on a quarterly basis. Though no longer required by NAVSEA for formal submission, it is recommended that the SUPSHIPS use the report as an internal document to account for property that is disposed each quarter. Reports should be documented by 15 October, 15 January, 15 April, and 15 July. The "Remarks" block of the form should be used to explain major increases or decreases in value of excess property reported and/or dispositioned. Excess property reutilized on other Government jobs or contracts at the contractor facility should not be reported.

In accordance with NCH 45.505-14, property administrators and contractors should enter data in the Contract Property Management System (CPMS) at <http://web1.dcmde.dcm.mil/cpms/>. For access to CPMS, fax applications to DASN (ACQ), attention: Bob Johnson, at (703) 614-4714. This requirement is in effect for all contracts, even those with the old property clause (prior to June 2007). SUPSHIPS will convert to the Item Unique Identification Registry (IUID) when the 2007 June clause is incorporated into the new contracts.

In order to facilitate the orderly introduction of DoD property into the Item Unique Identification Registry (IUID), the Undersecretary of Defense (AT&L) is encouraging contractors to voluntarily agree to upload and maintain their contract property records for existing DoD contracts in the IUID registry in lieu of annual reporting via DD Form 1662.

### **11.4.2 Responsibilities and Duties**

Personnel designated as government Property Administrators (PAs) are primarily responsible for the administration of contractual provisions related to Government property. [DoD 4161.2-M](#) addresses the duties and responsibilities of the Property Administrator. The PA may also serve as the Plant Clearance Officer (PLCO). [DFARS 245.7002](#) delineates Plant Clearance Officer duties.

The selection, appointment, and termination of appointment of PAs and PLCOs shall be made in writing by the Supervisor or designee. [DFARS 245.7001](#) addresses selection and appointment/termination requirements for PAs.

All SUPSHIP PAs and PLCOs will satisfy the mandatory training course requirements for their certification level as required by the Defense Acquisition Workforce Improvement Act (DAWIA) of [10 USC 1701](#), reference (f).

### **11.4.3 Reutilization and Disposal**

#### **11.4.3.1 Excess Property**

In accordance with [FAR 45.6](#), contractors are to identify Government property when it is no longer needed to perform the contract. Timeliness in disposal of excess Government property is important. SUPSHIP should work with contractors to ensure excess Government property is identified by timeframes established within the contract or as determined by FAR.

#### **11.4.3.2 Plant Clearance Programs**

[FAR 45.6](#) and [DFARS 245.6](#) address the plant clearance process and stipulate the use of the Contractor Inventory Redistribution System (CIRS). [DFARS 245.608-70](#) identifies when to use CIRS. The Navy has established other plant clearance programs to expedite and increase reutilization and disposal of excess material which should be utilized prior to CIRS actions. Navy programs include the Shipbuilding and Conversion Navy (SCN) Consolidated Redistributable Asset Management Program (SCRAMP) for the reutilization of residual ready for issue (RFI) standard stock outfitting material associated with Navy shipbuilding programs. SCRAMP material is forwarded from the each SUPSHIP to a central warehouse in Portsmouth, VA, that is operated by the Mid-Atlantic Region Maintenance Center (MARMC). NAVSUP's Realtime Reutilization Asset Management (RRAM) inventory management program subsequently provides the Fleet, Naval Shipyards, Warfare Centers and SUPSHIPS with visibility of, and accessibility to, these SCRAMP assets. [NAVSEAINST 4408.2A](#), reference (g), provides SCRAMP details and procedures. Another Navy program, Ready Resource Material (RRM), is used by the SUPSHIPS to promote reutilization of residual non-standard stock/part number RFI items (less Level 1, nuclear propulsion, hazardous, classified, ammunition and firearms, medicinal items, cylinders, construction items and expiring shelf life items). The RRM program is similar to SCRAMP in that SUPSHIPS forward their non-standard RFI assets to a central warehouse where they are also made visible and accessible through the RRAM program. The RRM warehouse is located in Auburn, WA, and is operated by Commander Naval Air Forces. Navy programs that are appropriate for the particular type of excess material to be disposed should be utilized. Disposition of ADP equipment, IPE and STE should follow procedures in [DFARS 245.6](#). CIRS may be utilized for disposal of excess material that cannot be handled by the Navy disposal program. The current Navy disposal program implements the Plant Clearance Automated Reutilization Screening System (PCARSS). It is an initiative to achieve a paperless contracting environment and automates the process for reporting/screening/requisitioning /disposing of excess Government property located at contractor facilities.

#### 11.4.3.3 Disposal of Hazardous Material/Hazardous Waste

The distinction between hazardous material and hazardous waste is important, particularly regarding the disposal actions. [OPNAVINST 5090.1C](#), "Environmental Readiness Program Manual," reference (h), provides the following definitions:

- Hazardous material (or hazardous substance) (HAZMAT): Any material which, because of its quantity, concentration, or physical, chemical, or infectious characteristics, may pose a substantial hazard to human health or the environment when released or spilled.
- Hazardous waste (HW): Any liquid, solid, or gaseous waste material that, because of quantity, concentration, or physical or chemical characteristics, may:
  - Cause or significantly contribute to an increase in mortality or to a serious and irreversible or reversible but incapacitating illness; or
  - Pose a substantial present or potential hazard to human health or the environment when improperly treated, stored, transported, disposed, or otherwise managed. This excludes infectious and radioactive waste; if infectious or radioactive wastes are mixed with an EPA/state-regulated hazardous waste, then the hazardous constituents remain regulated as a hazardous waste. HW does not include HAZMAT with an expired shelf life unless designated as such by the Defense Reutilization Marketing Service (DRMS).

Coordination between the SUPSHIP Plant Clearance Officer and the SUPSHIP Environmental Manager is necessary to ensure that excess HAZMAT and HW are properly identified for disposition actions in accordance with contract requirements and federal, state, and local environmental regulations.

#### 11.4.3.4 Disposal Actions Resulting from Engineering Changes

Under fixed-price contracts, engineering changes may result in CFM becoming excess to the requirements of the contract. In such cases, the excess material becomes government-owned if no credit is provided during the pricing of the ECP. If the contractor has already purchased material to perform a part of the contract covered by the fixed-price, and that part is changed so that the contractor can no longer use the material, the engineering change will normally identify the material for purchase by the Government.

In the scenario above, under cost contracts, the government has title to all property, GFM/GFP and CAP/CAM/CFM. Therefore, if engineering changes result in CFM being converted into GFM, the engineering change will note the anomaly and the material will be identified for disposal.



The contractor should have a system to ensure that the material is identified to the Plant Clearance Officer as excess Government material. The Plant Clearance Officer then follows normal procedures to dispose of the material.

#### **11.4.3.5 Determining Excess Need and Value**

The Government's need for the excess material should be considered in determining title to excess material since there is a cost to the Government associated with disposal actions. Contractor needs for the excess material may also be considered in determining title, as well as "value" to be credited to the contract, if the contractor retains the material. The value credited to the contract will vary depending on the needs of the Government and the needs of the contractor. The determined value of the excess material needs to be based on practical business judgments and fair market considerations. The value of the material can be zero, depending on the material and circumstances associated with disposal actions.

- a. Excess Government property under firm-fixed-price and cost-reimbursable type contracts is comprised of different elements.
  - (1) Under firm-fixed-price contracts, all excess GFP and property paid for as a line of the contract (outside the firm-fixed-price) is considered to be Government property for the Government plant clearance actions (though the form of the Liens and Title clause must be followed in the plant clearance process).
  - (2) In cost-reimbursable contracts, all excess GFP and excess contractor-acquired property accountable to the contract is considered Government property for plant clearance operations. Fixed-price incentive contracts (with the fixed-price Government property clause) require a more involved process to distinguish excess Government property to be disposed through the plant clearance process from excess contractor-owned property for contractor actions. Other clauses in the contract may affect ownership of excess. Identification of ownership of residual contractor-furnished material under the fixed-price-incentive contracts requires the coordination of the Property Administrator, Plant Clearance Officer, and contracting officer, and may require assistance from NAVSEAs 02, 00L, and 04.
- b. The contractor is required to provide a list of all residual material on the fixed-price incentive contract to the Government.
  - (1) If the Government takes title to the material, no further contract actions are required.
  - (2) If the Government does not take title to the material and the material is retained by the contractor, the contract must be credited for the value of the material (the value may be negotiated). The Government may take title to only part of the residual, with the remainder going to the contractor and the contract being credited for only the value of the material going to the contractor.

## **11.5 Responsibilities of the Contractor**

Specific contract requirements determine responsibilities of the contractor; however, [FAR 52.245.1](#) was developed to allow the Government to review an entire system of contractor-Government property control. The SUPSHIP Property Administrator must be aware of unique or additional contract provisions to ensure that the contractor adjusts his Government property control system to meet special requirements.

## **11.6 Repair or Modification of Government-Furnished Property**

When Government property is furnished to a contractor and is received in a condition not suited for its intended use, the contracting officer may, under the terms of the Government Property clause or other contract provision, direct the contractor to affect the necessary repair or modifications. As a consequence of this action, an equitable adjustment in the contract price and other provisions may be necessary. Property administrators may be called upon to verify the GFM current stated condition and to support contracting personnel to determine quantum on an equitable adjustment.

## Appendix 11-1 - List of Acronyms Used in this Chapter

ACO	Administrative Contracting Officer
ADP	Automated Data Processing
CAM	Contractor-Acquired Material
CAP	Contractor-Acquired Property
CFM	Contractor-Furnished Material
COSAL	Consolidated Shipboard Allowance List
DAWIA	Defense Acquisition Workforce Improvement Act
DFARS	Defense Federal Acquisition Regulation Supplement
DoD	Department of Defense
DRMS	Defense Reutilization Marketing Service
FAR	Federal Acquisition Regulation
GFI	Government-Furnished Information
GFM	Government-Furnished Material
GFP	Government-Furnished Property
HAZMAT	Hazardous Material
HW	Hazardous Waste
IUID	Item Unique Identification Registry
IPE	Industrial Plant Equipment
MARMC	Mid-Atlantic Regional Maintenance Center

NAVSUP	Naval Supply Systems Command
NCH	Naval Sea Systems Command (NAVSEA) Contracts Handbook
NMCARS	Navy and Marine Corps Acquisition Regulation Supplement
PA	Property Administrator
PCARSS	Plant Clearance Automated Reutilization Screening System
PLCO	Plant Clearance Officer
RRAM	Realtime Reutilization Asset Management
RRM	Ready Resource Material
SCN	Shipbuilding and Conversion, Navy
SCRAMP	SCN Residual Asset Management Program
STE	Special Test Equipment